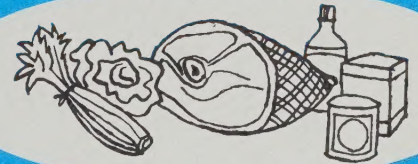
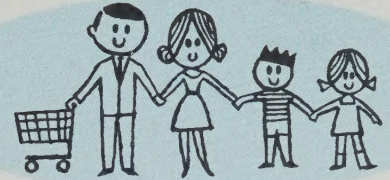


ANNUAL REPORT 1969



Sally

SOBEYS

SOBEYS STORES LIMITED



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23rd ANNUAL REPORT, SOBEYS STORES LIMITED
and subsidiary companies

Year Ending May 3, 1969

HEAD OFFICE: STELLARTON, NOVA SCOTIA

Established 1906

Incorporated 1946

DIRECTORS AND OFFICERS

DIRECTORS

MERRITT G. CRAWFORD

ARTHUR R. LUNDRIGAN

JAS. A. MACMURRAY

HENRY B. RHUDE

LESLIE SHARP

DAVID F. SOBEY

DONALD R. SOBEY

FRANK H. SOBEY

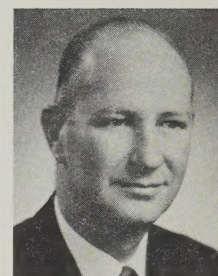
HAROLD M. SOBEY

WILLIAM M. SOBEY

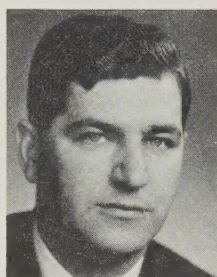
CHAS. E. STANFIELD



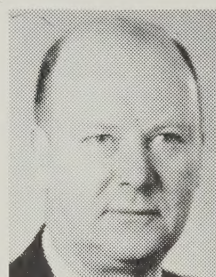
William M. Sobey
Director
President



Jas. A. MacMurray
Director



Arthur R. Lundrigan
Director



Frank H. Sobey
Director
Chairman
of the-Board



Leslie Sharp
Director
Vice President &
General Manager

OFFICERS

FRANK H. SOBEY
Chairman of the Board

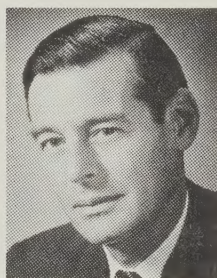
WILLIAM M. SOBEY
President

LESLIE SHARP
Vice President & General Manager

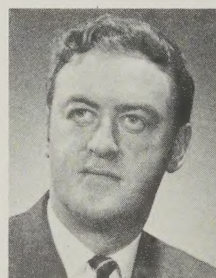
DAVID F. SOBEY
Vice President — Merchandising

HAROLD M. SOBEY
Vice President

MERRITT G. CRAWFORD
Secretary — Treasurer



Henry B. Rhude
Director



David F. Sobey
Director
Vice President
Merchandising



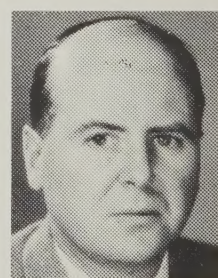
Chas. E. Stanfield
Director



Donald R. Sobey
Director



Merritt G. Crawford
Director
Secretary Treasurer



Harold M. Sobey
Director
Vice President



OPERATIONS PERSONNEL



Ted. Boehk
District Manager



William Vines
Supervisor N.B.



Tom. Forman
District Manager



Gordon Reynolds
*Supervisor N. S.
Supervisor Nfld.*



Terry Jardine
Supervisor N.B.



Ralph Hamm
*Meat Supervisor
N.B.*



Cecil MacLaren
*Meat Supervisor
N.S.*



Chas. Higgins
District Manager



Douglas Eddy
Personnel Manager



Drummond Fraser
*Real Estate
Manager*



Darrell Rushton
Supervisor N.S.



John Robar
Supervisor N.S.

AUDITORS

H. R. DOANE AND COMPANY
NEW GLASGOW, N.S.

TRANSFER AGENT AND REGISTRAR

MONTREAL TRUST CO. MONTREAL
TORONTO — SAINT JOHN — HALIFAX

BANKERS

THE BANK OF NOVA SCOTIA



Arthur Mosher
*Meat Supervisor
N.S.*



William Eisenhauer
Head Buyer

DIRECTORS' REPORT *to the Shareholders*

Sales:

Consolidated sales for the period ending May 3, 1969, increased 11.5 per cent over the comparable period last year. Sales did not entirely reflect the dynamic increase reported for the six-month period ending November 2, 1968, due to a strike situation which developed in six of the company's stores in Saint John, N.B.

Earnings:

Earnings after tax of \$829,712 or \$1.01 per common share after deduction for preference share dividends represent a slight increase over the preceding period; the pace of earnings as reported for the six-month period could not be maintained because of the afore-reported breakdown in negotiations between the company and Local 1065 of the Retail-Wholesale Department Store Union, covering six stores in Saint John, N.B. A number of employees went on strike on December 17 — the company closed three of six stores in the area, but since has re-opened one. This strike continued until March 4 when a collective agreement was completed and signed by both parties. This situation seriously affected operating results for the third quarter, thereby creating the small earnings increase over last year — the fourth quarter of the company, however, showed a marked improvement.

Financing:

Cash flow for the period increased slightly to \$2,105,000; and working capital as of May 3, 1969, was up \$122,000 to \$1,764,000.

On March 1, 1969, a \$1,000,000 series J debenture was issued; and in September, 1968, the original series A issue put out in 1953 was retired.

Operating Costs, Long Term Commitments, and inflation:

Inflation and rising costs continue to plague development throughout North Ame-

rica creating inflated dollar rental commitments, higher operating costs and increased employee wages and benefits, which, when not coupled with expanding population and sales in some areas of the country, puts a great deal of pressure on any company's ability to earn additional dollars. This company, whether in expansion or operations, is moving cautiously in its effort to continue to present to its shareholders a steadily improving financial picture. Methods to control operating expenses have been devised and appear to be working with some satisfaction.

The company continues to follow its policy of writing off initial store opening expenses. This amounted in the fiscal year herein reported to \$50,000.

Incentive Plan and Profit Sharing and Retirement Fund:

The company has contributed \$59,922 to its Profit Sharing and Retirement Fund; and the Incentive Plan to store and management personnel, which was reported previously, continues to perform satisfactorily — \$37,654 has been paid to employees in this plan during the current period.

Expansion:

The company has entered into an ambitious expansion program, much of which will be completed during this fiscal year, with openings proposed for Charlottetown, P.E.I.; St. John's, Gander and Marystown, Newfoundland; Amherst and Truro, N.S.; and Fredericton, N.B.

During the period herein reported, new stores were opened in Chandler and Gaspé, Quebec; Clayton Park, Halifax; and Highfield Square, Moncton; and the company has taken over the operation of the 28,000 square foot supermarket in the Sydney River Woolco Shopping Centre.

The Campbellton, N.B., store was re-opened in October, 1968, following the company's original store being destroyed by fire.



Lumsden Brothers Limited:

During the period reported, the company acquired a substantial majority interest in the common shares of Lumsden Brothers Limited in Burlington, Ontario. Lumsden Brother Limited operates a successful wholesale grocery company and holds the franchise for Foodland and Clover Farm stores in its operating area which is experiencing one of the fastest rates of growth in Canada today.

T.R.A. Limited:

The company owns 50 per cent of the shares of T.R.A. Limited, a wholesale grocery firm operating in the Annapolis Valley and South Shore of Nova Scotia. The company has had a number of years of successful and profitable operations and holds the franchise for Riteway stores, in which it operates some 21 as well as 3 corporate stores, a cash and carry wholesale in Yarmouth, and wholesale operations in Middleton and Liverpool, N.S. Sales and earnings of T.R.A. Limited are not consolidated in this financial statement.

Avalon Mall and Highfield Square:

Avalon Mall, a 340,000 square foot shopping centre, built and owned by the company in St. John's, Newfoundland, continues to operate successfully, is completely rented, and shows an excellent pattern for the future.

Highfield Square, a downtown shopping centre in Moncton, New Brunswick, of 300,000 square feet, has just been completed by the company and is over 90 per cent rented at this time. This downtown mall contains an Eaton's department store of 120,000 square feet and a Metropolitan department store of 40,000 square feet.

Dividends:

Quarterly dividends of 9 cents per share on the common A and B stock of the company

as well as dividends on the 1966 preference shares at 6¼ per cent were paid during the fiscal year.

New Directors:

Mr. James A. MacMurray, Senior Executive Officer, (Maritimes), Richardson Securities of Canada Limited, Saint John, N.B., and Mr. Arthur Lundrigan, President, Lundrigan's Limited, Corner Brook, Newfoundland, have joined the Board of Directors. We look forward to their able assistance in the future planning and development of the company.

In Appreciation:

Our thanks is extended to customers, suppliers, employees, and shareholders, who have assisted in the company's growth over the years. The outlook remains good; and with the help of all concerned, we look forward to continued expansion and development.

FRANK H. SOBEY
Chairman of the Board

WILLIAM M. SOBEY
President

SOBEYS STORES LIMITED

SOBEYS STORES LIMITED *and wholly owned subsidiary company*

CONSOLIDATED BALANCE SHEET

as of May 3, 1969 with comparative figures at May 4, 1968

ASSETS	1969	1968
Current		
Cash	\$ 1,374,069	\$ 1,255,882
Marketable securities, at cost (market value 1969 \$1,660,890 ; 1968 \$1,213,734)	1,311,980	1,189,583
Receivables — (Note 1)	2,755,159	1,928,145
Inventories, at cost	3,307,145	2,581,845
Special refundable tax receivable	41,349	60,286
Prepaid expenses	84,762	53,016
	<u>8,874,464</u>	<u>7,068,757</u>
Mortgages, loans and notes receivable	<u>200,663</u>	<u>119,190</u>
Funds held by trustee for redemption of debentures		<u>41,000</u>
Excess of cost of investments over book value, on acquisitions	<u>888,710</u>	
Fixed, at cost		
Buildings and parking facilities	9,291,224	8,919,619
Furniture and equipment	5,913,935	5,003,895
Motor vehicles	245,603	183,419
Leasehold improvements	501,141	431,543
	<u>15,951,903</u>	<u>14,538,476</u>
Less: Accumulated depreciation	<u>4,030,037</u>	<u>3,257,522</u>
	<u>11,921,866</u>	<u>11,280,954</u>
Land	<u>1,773,354</u>	<u>1,405,616</u>
	<u>13,695,220</u>	<u>12,686,570</u>
	<u>\$23,659,057</u>	<u>\$19,915,517</u>

The accompanying notes form part of this statement.

AUDITORS' REPORT *To the Shareholders*

We have examined the consolidated balance sheet of Sobeys Stores Limited and its wholly owned subsidiary company, Food City Limited as at May 3, 1969 and the statements of income and retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. The unaudited accounts of the subsidiary company, Lumsden Brothers Limited for the interim three month period ended March 28, 1969 are included in the consolidated statements.

In our opinion and according to the best of our information and the explanations given to us and as show by the books of the companies, the accompanying balance sheet and statements of income and retained earnings and source and application of funds are properly drawn up so as to exhibit a true and correct view of the financial position of the companies as at May 3, 1969 and the results of operations for the year then ended, except for the accounts of Lumsden Brothers Limited to which reference is made in note 11, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New Glasgow, Nova Scotia
June 19, 1969

H. R. DOANE AND COMPANY
Chartered Accountants

SOBEYS STORES LIMITED *and subsidiary companies*

CONSOLIDATED STATEMENT OF INCOME

for the year ended May 3, 1969

with comparative figures for the year ended May 4, 1968

	1969	1968
Income for the year before taking into account the undermentioned items	\$ 2,906,778	\$ 2,717,566
Expenses		
Administrative and office salaries	517,086	404,229
Audit	8,670	11,901
Contribution to employee pension and profit sharing plan	59,922	64,998
Depreciation	664,027	577,885
Directors' fees	1,250	1,350
Debenture and mortgage interest	328,009	312,920
Interest on current debt	223,905	126,099
Legal	30,971	6,280
Staff incentive plan	37,654	15,000
	1,871,494	1,520,662
	1,035,284	1,196,904
Other income		
Interest and dividends	304,164	143,392
Net income before income taxes	1,339,448	1,340,296
Income taxes (deferred \$611,606)	640,044	638,715
Net income from operations	699,404	701,581
Profit on sale of fixed assets and investments	130,308	106,183
Net income	\$ 829,712	\$ 807,764



CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended May 3, 1969

with comparative figures for the year ended May 4, 1968

	1969	1968
Balance, beginning of year	\$ 4,324,107	\$ 3,468,546
Net profit for the year	829,712	807,764
Transfer from general reserve		400,000
	5,153,819	4,676,310
Dividends paid — Class "A" common	187,510	165,195
— Class "B" common	76,320	67,840
— 6¼% preference	92,719	93,750
Tax adjustments relating to prior years	20,560	12,140
Financial expenses relating to debentures and preferred shares issued		4,818
Discount on issue of Series "I" debentures written off		8,460
Transfer to capital redemption reserve fund arising from redemption of preference shares	52,000	
	429,109	352,203
Balance, end of year	\$ 4,724,710	\$ 4,324,107

CONSOLIDATED STATEMENT OF LONG TERM LIABILITIES

for the year ended May 3, 1969

with comparative figures for the year ended May 4, 1968

	1969	1968
5½% Sinking fund debentures, Series "A" Maturing September 1, 1968 (Authorized and issued — \$300,000) Issued — less redeemed		\$ 92,000
5% Sinking fund debentures, Series "B" Maturing March 1, 1972 (Authorized and issued — \$500,000) Issued — less redeemed	\$ 225,000	251,000
4¾% Sinking fund debentures, Series "C" Maturing September 1, 1975 (Authorized and issued — \$500,000) Issued — less redeemed	305,000	320,000
6% Sinking fund debentures, Series "D" Maturing May 1, 1977 (Authorized and issued — \$750,000) Issued — less redeemed	480,000	502,500
6% Sinking fund debentures, Series "E" Maturing March 1, 1981 (Authorized and issued — \$1,000,000) Issued — less redeemed	740,000	790,500
6% Sinking fund debentures, Series "F" Maturing April 1, 1984 (Authorized and issued — \$1,000,000) Issued — less redeemed	830,000	880,000
5¾% Sinking fund debentures, Series "G" Maturing April 15, 1985 (Authorized and issued — \$500,000) Issued — less redeemed	415,000	455,000
6% Sinking fund debentures, Series "H" Maturing November 1, 1985 (Authorized and issued — \$1,000,000) Issued — less redeemed	910,000	940,000
7¼% Sinking fund debentures, Series "I" Maturing June 15, 1987 (Authorized and issued — \$1,000,000) Issued — less redeemed	970,000	1,000,000
8½% Sinking fund debentures, Series "J" Maturing March 1, 1989 (Authorized — \$1,000,000) Issued	1,000,000	
6% Mortgage, due December 15, 1985	112,559	119,180
8% Mortgage, due June 15, 1972	112,124	
	6,099,683	5,350,180
Less: Debentures on hand for sinking fund purposes	126,500	58,000
	5,973,183	5,292,180
Less: Payable within one year	97,621	236,121
Long term liabilities	\$ 5,875,562	\$ 5,056,059
Sinking fund requirement for 1970 — \$217,500.		



NOTES to consolidated financial statements

1. Receivables

	1969	1968
Trade	\$ 785,239	\$ 283,853
Rent	907	29,122
Loans	1,868,561	1,581,377
Current portion of mortgages, loans and notes receivable	100,452	33,793
	<u>\$2,755,159</u>	<u>\$1,928,145</u>

2. Payables and accruals

	1969	1968
Trade and other	\$4,096,375	\$3,097,660
Interest accrued on debentures	57,372	46,205
Long term debt payable within one year	97,621	236,121
	<u>\$4,251,368</u>	<u>\$3,379,986</u>

3. Long Term Leases — Under the provisions of leases with Sobey Leased Properties Limited, Empire Company Limited, Foord Construction Limited and other lessors, the company has leased lands, buildings and improvements for terms extending beyond five years from the balance sheet date.

4. Contingent liabilities — (a) At balance sheet date there was an outstanding guarantee for bank loans of Sobey Leased Properties Limited of \$250,000. These loans were obtained for the purpose of acquiring properties for and on behalf of Sobeys Stores Limited.

(b) The company has also guaranteed bank loans of \$2,500,000 for and on behalf of Highfield Square Limited which is to be a wholly owned subsidiary of Sobeys Stores Limited.

(c) In consideration of the exclusive right to lease the supermarket premises in all shopping centres developed by Canadian Shopping Centres Limited, the company has undertaken by Agreement, dated April 1, 1960, to provide cash to meet any obligations which Canadian Shopping Centres Limited is unable or fails to meet until all Series "A" debentures (of which \$380,000 principal amount is presently outstanding) of Canadian Shopping Centres Limited have been paid in full in accordance with their terms. Any deficiency payment made by Sobeys Stores Limited will be in consideration of the issue to it of an appropriate number of \$10 fully paid and non-assessable 6% non-cumulative redeemable non-voting preference shares of Canadian Shopping Centres Limited.

5. Share purchase warrants — The company has reserved a maximum of 60,000 unissued Class "A" common shares to satisfy the conditions relating to Share Purchase Warrants attached to the sinking fund debentures, Series "H", maturing November 1, 1985 and share purchase warrants issued with 1989 Series "J" debentures on March 1, 1969 and to expire March 1, 1979.

6. Short term loans — The company advances cash from time to time on a demand note basis at current bank rates of interest to Sobey Leased Properties Limited. It also advances funds without interest to other companies for their use in acquiring, constructing and leasing shopping centre properties for and on behalf of the company.

7. Deferred income taxes — As a result of claiming capital cost allowance of \$1,223,212 more than recorded depreciation the provision for income taxes is \$611,606 in excess of income taxes payable for the current year.

8. Preference shares — The 1966 series preference shares may be called at reducing premiums until October 1, 1971, after which they may be called at par.

During the year, 2,600 shares were purchased and cancelled reducing the issued preference capital to \$1,448,000.

9. Sales — Gross sales of the company increased by 11.5% over the previous year's sales and 33.3% over the previous five years' average sales.

10. Depreciation of Shopping Centres — Company depreciation policy on major shopping centres is to record straight line depreciation on an accelerating scale for the initial years while the centres are developing to their potential. It is the opinion of management that this policy is adequate to amortize the cost of these centres over their useful life.

11. New acquisitions — Effective January 2, 1969 the company acquired a controlling interest in Lumsden Brothers Limited, wholesale and retail grocers, of Burlington, Ontario, for a cash consideration. The fiscal year of this subsidiary was December 31, 1968 and the accounts were audited by Touche, Ross, Bailey and Smart, Chartered Accountants.

Financial statements were prepared for the three month period ended March 28, 1969 without audit and the accounts for this period are included in the Consolidated Financial Statements with provision being made for minority interests.

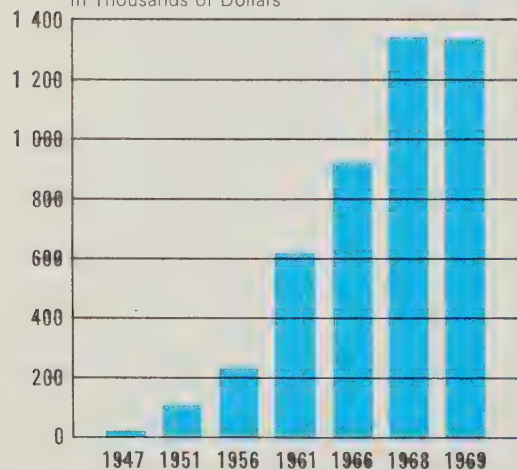
SOBEYS STORES LIMITED

REVIEW OF FINANCIAL GROWTH SINCE INCORPORATION

Operations	1969	1968	1966	1961	1956	1951	1947
Income from operations	\$ 1,339,448	\$ 1,340,296	\$ 930,809	\$ 602,353	\$ 236,012	\$ 102,394	\$ 22,538
Depreciation	664,027	577,885	527,106	211,095	99,472	37,846	10,186
Interest on long term debt	328,009	312,920	248,133	101,181	60,963	7,808	3,134
Cash flow	2,105,345	2,016,951	1,336,179	882,119	250,178	96,617	29,455
Income tax	640,044	638,715	431,455	279,591	108,504	43,959	8,988
Gain on sale of fixed assets and investments	130,308	106,183	214,961	6,652	6,639	335	397
Net income after provision for income tax	829,712	807,764	664,315	329,415	134,146	58,771	18,668
Number of stores	56	52	49	32	17	11	15
Shareholders information							
Cash flow per share	2.87	2.73	1.90	1.29	.50	.19	.06
Equity per share	8.94	8.35	6.76	4.01	1.49	.51	.19
Preferred share dividend	6.25%	6.25%	—	—	5.00%	5.00%	—
Common share earnings	1.01	.98	.97	.48	.26	.12	.04
Common share dividends	.36	.32	.23	.20	—	—	—
Average number of common shares outstanding	732,860	729,860	346,715	340,000	10,000	10,000	10,000
Balance sheet							
Working capital	1,764,079	1,641,712	1,747,417	1,159,523	339,599	151,011	122,886
Fixed assets	13,695,220	12,686,570	7,870,999	3,621,904	1,575,620	254,399	109,912
Long term debt	5,875,562	5,056,059	4,416,000	2,507,008	1,227,875	158,881	150,000
Net tangible assets per \$1,000 debenture	2,687	2,908	2,179	2,154	1,591	3,211	1,596

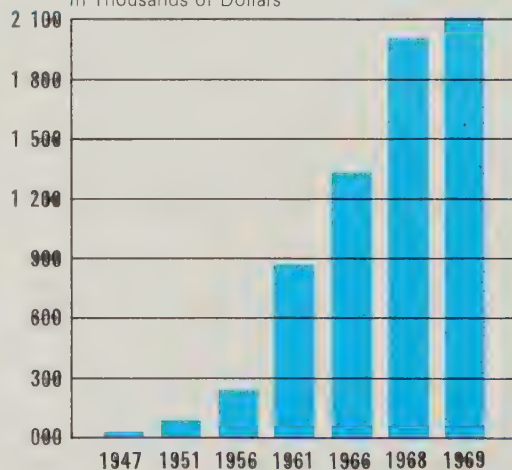
PRE - TAX INCOME FROM OPERATIONS

In Thousands of Dollars



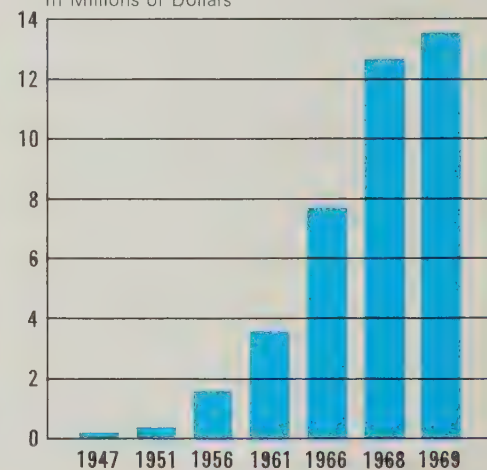
CASH FLOW

In Thousands of Dollars



FIXED ASSETS

In Millions of Dollars





STORE MANAGER AND SUPERVISOR CONFERENCE



SOBEYS STORES LIMITED

LOCATIONS

Serving the Atlantic Provinces

Nova Scotia

Stellarton
New Glasgow
Westville
Trenton
Pictou
Truro
Halifax
Westphal
Woodside
Dartmouth
North Sydney
Sydney
Sydney River
Sydney Mines
Antigonish
Yarmouth
Amherst
Windsor
Kingston
Port Hawkesbury
Kentville
Glace Bay

New Brunswick

Moncton
Fredericton
Saint John
Campbellton
Lancaster
Newcastle
Chatham
Edmundston
Dalhousie
Rothesay
Millidgeville
Nashwaaksis
East Saint John

Prince Edward Island

Summerside
Charlottetown

Newfoundland

Grand Falls
St. John's

Quebec

Paspebiac
New Richmond
Chandler
Gaspé

AR21



file

SOBEYS

**SOBEYS STORES
LIMITED**

**INTERIM
REPORT**

SOBEYS

**SIX MONTHS
ENDING
NOVEMBER 1
1969**

SOBEYS STORES LIMITED

INTERIM STATEMENT

Six months ending November 1, 1969

TO THE SHAREHOLDERS

Sales for the Company for the first six months showed a new high and were 10.2% over the same period last year.

Although the Company shows a substantial gain in net profit for the above mentioned period, a decrease in store operating returns was experienced through the absorption of certain costs resulting from new store openings and continued pressure on expenses, particularly wages.

The Company has instituted and is following closely a number of methods to reduce operating expenses and increase productivity. We are pleased with present sales at this point and are concentrating increased efforts on net operating earnings. During this present high cost money period, additional concern is being concentrated on inventory control and the reduction of capital expenditures where possible on current expansion plans.

During the period herein reported, the Woodside, Dartmouth, store was doubled in size, and three large supermarkets were opened. Four additional stores are presently under construction, and further units are in the planning stage.

The outlook for the balance of the year appears favourable, and we look forward to an increase in earnings and sales for the fiscal Year-End Report.

WILLIAM M. SOBEY
President

Stellarton N. S.
December 15, 1969.

SOBEYS STORES LIMITED
CONSOLIDATED STATEMENT OF EARNINGS
SIX MONTHS ENDED NOVEMBER 1, 1969
(with comparative figures)

	<u>1969 (6 mos.)</u>	<u>1968 (6 mos.)</u>
Net operating income	\$ 654,073	\$ 744,100
Provision for income taxes (deferred \$275,565)	<u>314,680</u>	<u>355,466</u>
Net income	339,393	388,634
Preferred share dividend	<u>45,250</u>	<u>46,875</u>
Net income after providing for preferred share dividend	<u>294,143</u>	<u>341,759</u>
Gains on sale of fixed assets and investments	<u>116,733</u>	<u>33,178</u>
Net income after capital gains	<u><u>\$ 410,876</u></u>	<u><u>\$ 374,937</u></u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
(with comparative figures)

	<u>1969 (6 mos.)</u>	<u>1968 (6 mos.)</u>
Source		
Net income	\$ 339,393	\$ 388,634
Add: Depreciation	348,233	380,640
Deferred income taxes	<u>275,565</u>	<u>351,791</u>
	963,191	1,121,065
Gain on sale of fixed assets and investments	233,465	3,511
Increase in minority interest	6,883	
Increase in long term debt	<u>2,443,458</u>	
	<u>3,646,997</u>	<u>1,124,576</u>
Application		
Increase in fixed assets	4,215,166	1,606,535
Increase in mortgages, loans and notes receivable	85,908	83,430
Retirement of long term debt		103,000
Dividends paid	185,715	178,790
Income tax re-assessment		<u>21,982</u>
	<u>4,486,789</u>	<u>1,993,737</u>
Decrease in working capital	<u><u>\$ 839,792</u></u>	<u><u>\$ 869,161</u></u>

Note: The above financial information is unaudited.

DIRECTORS

MERRITT G. CRAWFORD
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